public sector management consulting



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October 23, 2007

To:

Mayor Chuck Reed

Mayor's Budget Shortfall Advisory Group

From:

Roger Mialocq

Harvey M. Rose Associates, LLC

Subject: <u>Prepayment of Annual Employer Retirement Contributions</u>

The City's annual cost of its employer contribution to the Police and Fire and Federated Employees' Retirement Systems amounts to approximately \$136.0 million for FY 2007-08. The General Fund portion of this cost amounts to \$102.4 million and the non-General Fund cost totals approximately \$33.7 million. The City pays these costs bi-weekly through the payroll system. If the City were to prepay this annual cost with a single lump sum payment on approximately July 14 of each fiscal year, the total annual employer contribution requirement would be reduced by approximately \$5,171,529, since the retirement systems would have use of the full annual amount for the entire fiscal year in order to generate investment income, versus approximately one-half of the annual amount for the fiscal year.

Offsetting Loss of Investment Income

If the City were to implement a prepayment strategy, it would forego the investment income on the portion of the annual payment that would have been invested on a short-term basis during the fiscal year. However, based on the City's current average investment yield of 4.66 percent as of August 2007, lost investment income would amount to only about \$3,156,863 annually, resulting in a net benefit to the City of approximately \$2,014,666 annually (Attachment 1). As the short-term investment yield of the City increases in times of higher short-term interest rates the net benefit to the City would be reduced, and in times of lower short-term interest rates the net benefit would increase. As an example, based on a short-term yield of 5.00 percent, the annual net benefit would be about \$1,783,610. Based on a short-term yield of 5.25 percent, the annual net benefit would be about \$1,614,214. The net benefit of prepayment of employer retirement contributions would be distributed between the General Fund and other funds in proportion to the amount of each fund's annual contribution to

the retirement systems. Based on the City's current short-term investment yield of 4.66 percent, the annual net benefit to the General Fund if the City had prepaid its FY 2007-08 employer retirement contribution would have been approximately \$1,477,993.

Analysis of the City's Average Daily Cash Balances

According to the latest investment report to the Mayor and the City Council, dated October 2, 2007, during the past 24 months the City's cash position has ranged from a low of about \$340 million to a high of about \$415 million. The General Fund portion of the cash balance ranged from a low of about \$145 million to a high of about \$315 million. Consequently, it appears that the City could prepay most if not all of this annual cost, and realize a net benefit in proportion to the extent of the prepayment.

Additional Reduction of the Employer Contribution Rates

The FY 2007-08 employer contribution rates amount to 25.22 percent for the Police and Fire Retirement System, and 21.98 percent for the Federated Employees Retirement System. While the benefits of prepayment described above are substantial, they are not the complete benefit that would be realized by The prepayment benefits were calculated based on the difference between the assumed rate of return of the two retirement systems (8.00 percent and 8.25 percent) and the average annual investment yield currently being realized by the City of 4.66 percent. However, an analysis of the actual rate of return earned by the two retirement systems over the past 20 fiscal years, determined that the actual average rates of return amounted to 10.31 percent for the Police and Fire Retirement System and 9.60 percent for the Federated Employees Retirement System (Attachment 2). Consequently, prepayment of the annual employer contribution would enable the retirement systems to earn an additional \$1,034,996 annually. These additional earnings would increase plan assets and funding levels, and further reduce the amount of the required annual employer contribution rates as each biennial actuarial valuation is performed.

Retirement Systems Assumed Rate of Return on Investments

As noted above, the Police and Fire Employees' Retirement System currently has an assumed rate of return on investments of 8.00 percent, while the Federated Employees' Retirement System has an assumed rate of 8.25 percent. Attachment 2 provides an historical comparison of the actual rate of return of both systems over the past 20 years. During that period, the Federated Employees' Retirement System realized an average rate of return of 9.60 percent, or 16.4 percent greater than its 8.25 percent assumed rate of return. Comparatively, the Police and Fire Employees' Retirement System realized an average rate of return of 10.31 percent, or 28.9 percent greater than its 8.00 percent assumed rate of return.

Because the Police and Fire Employees' Retirement System is 100 percent funded by the General Fund, and due to the large amount of the total retirement system

liability, which amounted to \$2.027 billion as of June 30, 2005, minor changes in the assumed rate of return on investment have a significant impact on the amount of the annual employer contribution. Currently, based on the 8.00 percent assumed rate of return on investment, the FY 2007-08 employer contribution requirement to the Police and Fire Employees' Retirement System amounts to \$62,284,000. If the Police and Fire Employees' Retirement System were to adopt the same 8.25 percent assumed rate of return as the Federated Employees' Retirement System, it is projected that the City's annual employer contribution requirement would be reduced by about \$2,750,000. Based on an assumed rate of 8.25 percent, the 10.31 percent actual average annual rate of return of the Police and Fire Employees' Retirement System would exceed the assumed rate by 25.0 percent.

Based on a 2005 survey of 30 of the largest state, county and city retirement systems in the United States, the mean rate was 8.07 percent with 10 systems between 8.16 percent and 9.00 percent, 14 systems at 8.00 percent, and six systems between 7,90 percent and 7.00 percent. If there is interest in this issue, a request should be submitted to the City's retirement system actuary to calculate the impact on the City's annual employer contribution requirement, if the Police and Fire Employees' Retirement System changed its assumed rate of return to 8.25 percent.

Analysis of City of San Jose Retirement System Prepayment Savings

(Based on the City's Current Average Yield of 4.66 Percent for August 2007)

| Ret Sys Police & Fire Discount 3.6848% 5,033,480 5,033,480 0 7/101/07 Ret Sys Police & Fire Normal Employer Contribution 62,224,000 5,033,480 135,836,991 225,490 0 7/15/07 Ret Sys Federated Discount 62,224,000 5,033,480 115,730,032 207,451 0 7/15/07 Ret Sys Police & Fire Normal Employer Contribution 73,786 15,033,480 115,770,032 207,451 0 8/12/07 Ret Sys Pelice & Fire Reduced Employer Contribution 50,333,480 10,705,032 207,451 0 8/12/07 Ret Sys Federated Reduced Employer Contribution 5,033,480 10,736,522 10,841 0 8/12/07 Ret Sys Federated Reduced Employer Contribution 5,033,480 10,736,522 10,941 0 8/12/07 Instruction Some Investment Portloine Fy 2007-08 Budget Savings 2,014,666 5,033,480 10,070 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 11/10,407 <th>Description</th> <th>FY 2007-08 Budget</th> <th>Bi-weekly Payment</th> <th>Ret Sys Prepayment Not Avail for Investment</th> <th>Lost Com Fund Interest</th> <th>Date</th> | Description | FY 2007-08 Budget | Bi-weekly Payment | Ret Sys Prepayment Not Avail for Investment | Lost Com Fund Interest | Date |
|--|---|----------------------|----------------------|---|------------------------------|----------|
| 3.8999% 5,033,480 130,870,471 234,510 62,284,000 5,033,480 120,830,471 225,490 73,758,000 5,033,480 120,803,512 216,471 59,988,959 5,033,480 115,770,032 207,451 70,881,512 5,033,480 110,736,552 198,431 5,171,529 5,033,480 105,703,073 189,412 2,014,666 5,033,480 90,602,634 162,333 5,033,480 85,569,154 153,333 5,033,480 80,535,674 144,314 5,033,480 80,535,674 144,314 5,033,480 80,535,674 144,314 5,033,480 80,535,674 144,314 5,033,480 80,535,674 144,314 5,033,480 80,535,674 144,314 5,033,480 80,535,674 144,314 5,033,480 80,535,674 144,314 5,033,480 80,535,674 144,314 5,033,480 80,535,674 81,176 5,033,480 80,535,674 81,176 5,033,480 80,535,674 81,176 5,033,480 80,535,674 81,176 5,033,480 80,535,674 81,176 5,033,480 80,536,276 99,116 5,033,480 80,20,387 86 45,098 4,66% 80,133,480 80,130,439 82,098 4,66% 80,133,480 80,130,439 82,008 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,66,959 18,039 4,66% 80,130,447 80,10,10,10,10,10,10,10,10,10,10,10,10,10 | Ret Svs Police & Fire Discount | 3.6848% | | | | |
| 62,284,000 5,033,480 130,870,471 234,510 73,758,000 5,033,480 125,836,991 225,490 225,490 5,033,480 115,770,032 207,451 2,171,529 5,033,480 110,736,552 198,431 2,156,863 5,033,480 110,736,552 198,431 10,736,552 198,412 2,171,529 5,033,480 100,669,593 180,392 2,014,666 5,033,480 90,602,634 162,353 5,033,480 90,602,634 153,333 5,033,480 85,569,154 153,333 5,033,480 85,569,154 115,333 5,033,480 60,401,756 99,216 5,033,480 60,401,756 99,216 5,033,480 60,401,756 99,216 5,033,480 85,368,276 99,118 5,033,480 80,334,797 81,176 5,033,480 80,340,797 81,176 5,033,480 80,340,797 81,176 5,033,480 80,340,20,878 81,176 5,033,480 80,30,200,878 845,098 45,098 85,033,480 85,033,480 85,368,276 85,118 86,00 80,401,756 81,108 81,108 86,00 80,401,756 81,108 86,00 80,401,756 81,108 81,10 | Ret Sys Federated Discount | 3.8999% | 5,033,480 | | 0 | 07/01/07 |
| 73,758,000 5,033,480 125,836,991 225,490 5,033,480 120,803,512 216,471 70,881,512 5,033,480 110,736,552 198,412 -3,156,863 5,033,480 100,669,593 180,392 2,014,666 5,033,480 100,669,593 180,392 2,014,666 5,033,480 90,602,634 162,353 5,033,480 85,569,154 153,333 5,033,480 85,569,154 144,314 5,033,480 75,502,195 135,294 5,033,480 85,367,195 126,275 5,033,480 85,38,797 90,196 5,033,480 85,38,797 90,196 5,033,480 85,38,797 90,196 5,033,480 85,38,797 90,196 5,033,480 85,38,797 81,176 5,033,480 85,38,797 81,176 5,033,480 85,38,3137 5,033,480 85,234,358 63,137 5,033,480 25,167,398 45,098 4,66% 5,033,480 15,100,439 27,059 4,66% 5,033,480 10,066,959 18,039 4,66% 130,870,471 3,156,863 4,66% 130,870,471 3,156,863 | Ret Sys Police & Fire Normal Employer Contribution | 62,284,000 | 5,033,480 | | 234,510 | 07/15/07 |
| 59,988,959 5,033,480 115,770,032 70,881,512 5,033,480 115,770,032 5,175,283,480 110,7669,593 110,736,552 1198,431 110,736,552 1198,431 110,736,552 1198,431 110,736,563 110,669,593 110,669,593 110,669,593 110,669,593 110,669,593 110,699,216 110,066,959 111,725 111,725 111,725 111,726 112,333 111,726 112,333 111,726 112,333 111,726 112,333 111,726 112,333 111,726 112,333 111,726 112,33480 112,6040 1130,8480 112,100,439 113,919 1130,870,471 1130,870,471 115,1100,439 115,66% 1130,870,471 115,1100,439 115,66% 1130,870,471 115,1100,439 115,66% | Ret Sys Federated Normal Employer Contribution | 73,758,000 | 5,033,480 | 125,836,99 | 225,490 | 07/29/07 |
| 59,988,959 5,033,480 115,770,032 207,451 70,881,512 5,033,480 110,736,552 198,431 5,171,529 5,033,480 100,669,593 180,392 2,156,863 5,033,480 95,636,113 171,373 5,033,480 90,602,634 162,353 5,033,480 85,569,154 153,333 5,033,480 70,468,715 126,275 5,033,480 70,468,715 117,255 5,033,480 60,401,756 108,235 5,033,480 55,334,90 90,106 5,033,480 50,334,90 90,136 5,033,480 50,334,90 90,136 5,033,480 50,334,90 50,334,30 5,033,480 50,334,30 50,334,30 5,033,480 50,334,30 50,334,30 5,033,480 50,334,30 50,334,30 5,033,480 50,334,30 50,334,30 5,033,480 50,334,30 50,334,30 5,033,480 50,334,30 50,334,30 5,033,480 50,334,30 50,334,30 6,660 5,033,480 50 | | | 5,033,480 | | 216,471 | 08/12/07 |
| 70,881,512 5,033,480 110,736,552 198,431 5,171,529 5,033,480 105,703,073 189,412 105,703,073 189,412 105,703,073 180,412 100,669,593 180,392 180,392 103,3480 5,033,480 80,535,674 153,333 5,033,480 80,535,674 114,314 5,033,480 75,502,195 117,255 5,033,480 80,401,756 108,235 5,033,480 80,401,756 99,216 5,033,480 80,20,387,89 80,20,878 81,176 5,033,480 80,20,878 81,176 5,033,480 80,20,878 845,098 82,033,480 80,20,878 845,098 82,033,480 80,20,878 845,098 82,033,480 80,20,433,919 82,033,480 80,20,133,919 82,033,480 80,00,401,399 84,66% 85,033,480 80,00,401,399 84,66% 85,033,480 10,066,959 18,039 4.66% 85,033,480 10,066,959 18,039 4.66% 85,033,480 10,066,959 18,039 4.66% 85,033,480 10,066,959 18,039 4.66% | Ret Sys Police & Fire Reduced Employer Contribution | 59,988,959 | 5,033,480 | | 207,451 | 08/26/07 |
| 5,171,529 5,033,480 105,703,073 189,412 2,014,666 5,033,480 100,669,593 180,392 2,014,666 5,033,480 90,602,634 162,353 5,033,480 90,602,634 162,353 5,033,480 80,535,674 144,314 5,033,480 75,502,195 135,294 5,033,480 70,468,715 126,275 5,033,480 60,401,756 108,235 5,033,480 60,401,756 108,235 5,033,480 55,334,797 90,196 5,033,480 40,267,837 72,157 5,033,480 40,267,837 72,157 5,033,480 30,200,878 54,118 Rates: 5,033,480 25,167,398 45,098 5,033,480 25,167,398 45,098 4,66% 5,033,480 10,066,959 18,039 4,66% 130,870,471 3,156,863 | Ret Sys Federated Reduced Employer Contribution | 70,881,512 | 5,033,480 | | 198,431 | 20/60/60 |
| -3,156,863 5,033,480 100,669,593 180,392 2,014,666 5,033,480 95,636,113 171,373 5,033,480 90,602,634 162,353 5,033,480 85,569,154 153,333 5,033,480 85,569,154 144,314 5,033,480 75,502,195 135,294 17,5033,480 60,401,756 117,255 5,033,480 60,401,756 117,255 5,033,480 60,401,756 117,255 5,033,480 55,334,797 90,196 5,033,480 55,334,797 90,196 5,033,480 35,234,797 81,176 5,033,480 35,234,358 63,137 81,176 5,033,480 25,167,398 45,098 45,60% 5,033,480 15,100,439 17,006,959 18,039 4,66% 5,033,480 10,066,959 18,039 4,66% 130,870,471 3,156,863 4,66% | Employer Contribution Savings | 5,171,529 | 5,033,480 | | 189,412 | 09/23/07 |
| 2,014,666 5,033,480 95,636,113 171,373 5,033,480 90,602,634 162,353 5,033,480 80,535,674 144,314 5,033,480 80,535,674 144,314 5,033,480 75,502,195 135,294 5,033,480 70,468,715 126,275 5,033,480 60,401,756 108,235 5,033,480 50,334,797 90,196 5,033,480 50,334,30 40,267,837 5,033,480 50,334,30 40,267,837 5,033,480 30,200,878 45,098 5,033,480 30,200,878 45,098 5,033,480 25,167,398 45,098 4,66% 5,033,480 25,167,398 45,098 4,66% 5,033,480 15,100,439 27,059 4,66% 130,870,471 3,156,863 4,66% 130,870,471 3,156,863 | Less Lost Commingled Fund Interest Revenue | -3,156,863 | 5,033,480 | | 180,392 | 10/02/07 |
| 5,033,480 90,602,634 162,353 5,033,480 85,569,154 153,333 5,033,480 80,535,674 144,314 5,033,480 75,502,195 135,294 5,033,480 70,468,715 126,275 5,033,480 60,401,756 108,235 5,033,480 50,334,797 90,196 5,033,480 50,334,797 90,196 5,033,480 40,267,837 72,157 5,033,480 30,200,878 54,118 8,033,480 30,200,878 45,098 4,66% 5,033,480 25,167,398 45,098 4,66% 5,033,480 15,100,439 27,059 4,66% 5,033,480 10,066,959 18,039 4,66% 5,033,480 10,066,959 18,039 4,66% 4,66% 130,870,471 3,156,863 | Net FY 2007-08 Budget Savings | ,014 | 5,033,480 | | 171,373 | 10/21/07 |
| 5,033,480 85,569,154 153,333 5,033,480 75,502,195 144,314 5,033,480 70,468,715 126,275 5,033,480 60,401,756 108,235 5,033,480 60,401,756 108,235 5,033,480 55,334,797 90,196 5,033,480 45,301,317 81,176 5,033,480 40,267,837 72,157 5,033,480 30,200,878 54,118 8,137 8,033,480 25,167,398 45,098 4,66% 5,033,480 10,066,959 18,039 4,66% 130,870,471 3,100,439 | | | 5,033,480 | | 162,353 | 11/04/07 |
| Rates: 5,033,480 80,535,674 144,314 5,033,480 75,502,195 135,294 5,033,480 70,468,715 126,275 5,033,480 60,401,756 108,235 5,033,480 55,368,276 99,216 5,033,480 50,334,797 90,196 5,033,480 40,267,837 72,157 5,033,480 35,234,358 63,137 5,033,480 35,234,358 45,098 4,66% 5,033,480 15,100,439 27,059 4,66% 5,033,480 10,066,959 18,039 4,66% 130,870,471 3,156,863 | | | 5,033,480 | | 153,333 | 11/18/07 |
| S,033,480 75,502,195 135,294 5,033,480 70,468,715 126,275 5,033,480 60,401,756 108,235 5,033,480 55,368,276 99,216 5,033,480 50,334,797 90,196 5,033,480 40,267,837 72,157 5,033,480 40,267,837 72,157 5,033,480 30,200,878 45,098 5,033,480 30,200,878 45,098 4,66% 5,033,480 25,167,398 45,098 4,66% 5,033,480 10,066,959 18,039 4,66% 130,870,471 3,156,863 | | | 5,033,480 | | 144,314 | 12/02/07 |
| 5,033,480 70,468,715 126,275 5,033,480 65,435,235 117,255 5,033,480 60,401,756 108,235 5,033,480 5,033,480 50,334,797 99,216 5,033,480 5,033,480 40,267,837 72,157 5,033,480 30,200,878 63,137 5,033,480 25,167,398 45,098 25,033,480 25,133,919 36,078 5,033,480 15,100,439 27,059 4,66% 130,870,471 3,156,863 4,66% 4,66% | | | 5,033,480 | | 135,294 | 12/16/07 |
| S,033,480 65,435,235 117,255 5,033,480 60,401,756 108,235 5,033,480 55,368,276 99,216 5,033,480 50,334,797 90,196 5,033,480 40,267,837 72,157 5,033,480 35,234,358 63,137 5,033,480 30,200,878 54,118 5,033,480 25,167,398 45,098 4,66% 5,033,480 15,100,439 27,059 4,66% 5,033,480 10,066,959 18,039 4,66% 4,66% 4,66% 3,156,863 4,66% 4,66% 3,156,863 | | | 5,033,480 | 70,468,715 | 6,27 | 12/30/07 |
| S,033,480 60,401,756 108,235 5,033,480 55,368,276 99,216 5,033,480 50,334,797 90,196 5,033,480 40,267,837 72,157 5,033,480 35,234,358 63,137 5,033,480 30,200,878 54,118 5,033,480 25,167,398 45,098 4,66% 5,033,480 15,100,439 27,059 4,66% 5,033,480 10,066,959 18,039 4,66% 4,66% 3,136,039 4,66% 4,66% 3,136,039 4,66% 4,66% 3,156,863 | | | 5,033,480 | 5,23 | 117,255 | 01/13/08 |
| S,033,480 55,368,276 99,216 5,033,480 50,334,797 90,196 5,033,480 45,301,317 81,176 5,033,480 40,267,837 72,157 5,033,480 35,234,358 63,137 5,033,480 25,167,398 45,098 5,033,480 20,133,919 36,078 4,66% 5,033,480 15,100,439 27,059 4,66% 5,033,480 10,066,959 18,039 4,66% 4,66% 3,156,863 4,66% 4,66% 3,156,863 | | | 5,033,480 | | 108,235 | 01/27/08 |
| S,033,480 50,334,797 90,196 5,033,480 45,301,317 81,176 5,033,480 35,234,358 72,157 5,033,480 35,234,358 63,137 5,033,480 25,167,398 45,098 5,033,480 25,167,398 45,098 4,66% 5,033,480 15,100,439 27,059 4,66% 5,033,480 10,066,959 18,039 4,66% 4,66% 4,66% 3,156,863 4,66% 4,66% 3,156,863 | | | 5,033,480 | 55,368,276 | 99,216 | 02/10/08 |
| S,033,480 45,301,317 81,176 5,033,480 40,267,837 72,157 5,033,480 35,234,358 63,137 5,033,480 30,200,878 54,118 S,033,480 25,167,398 45,098 5,033,480 20,133,919 36,078 4.66% 5,033,480 15,100,439 27,059 4.66% 130,870,471 3,156,863 4.66% 4.66% 3,156,863 | | | 5,033,480 | | 90,196 | 02/24/08 |
| Rates: 5,033,480 40,267,837 72,157 5,033,480 35,234,358 63,137 5,033,480 25,167,398 45,098 S,033,480 20,133,919 36,078 A.66% 5,033,480 15,100,439 27,059 4.66% 5,033,480 10,066,959 18,039 4.66% 4.66% 4.66% 3,156,863 | | | 5,033,480 | | 81,176 | 80/60/80 |
| Rates: 5,033,480 35,234,358 63,137 Rates: 5,033,480 25,167,398 45,098 5,033,480 20,133,919 36,078 Rate 5,033,480 15,100,439 27,059 4.66% 5,033,480 10,066,959 18,039 4.66% 130,870,471 3,156,863 4.66% 4,66% | | | 5,033,480 | 4 | 72,157 | 03/23/08 |
| Rates: 5,033,480 30,200,878 54,118 Rates: 5,033,480 25,167,398 45,098 5,033,480 20,133,919 36,078 4,66% 5,033,480 15,100,439 27,059 4,66% 5,033,480 10,066,959 18,039 4,66% 130,870,471 3,156,863 4,66% 4,66% | | | 5,033,480 | 35,234,358 | 63,137 | 04/06/08 |
| Rates: 5,033,480 25,167,398 45,098 5,033,480 20,133,919 36,078 4.66% 5,033,480 15,100,439 27,059 4.66% 130,870,471 3,156,863 4.66% 4.66% | | | 5,033,480 | | 54,118 | 04/20/08 |
| Spinish as a contacter S | San Jose Investment Portfolio FY 2007-08 Projected Intere | est Rates: | 5,033,480 | 25,167,398 | 45,098 | 05/04/08 |
| Quarter Rate 5,033,480 15,100,439 27,059 4.66% 5,033,480 10,066,959 18,039 4.66% 130,870,471 3,156,863 4.66% 4.66% | | | 5,033,480 | | 36,078 | 05/18/08 |
| 4.66% 5,033,480 10,066,959 18,039 4.66% 130,870,471 3,156,863 4.66% 4.66% | Quarter | Rate | m | 15 | 27,059 | 06/01/08 |
| 4.66% 130,870,471 4.66% 4.66% | Jul-Sep | 4.66% | .03 | 10,066,959 | ω | 06/15/08 |
| 4.66% 130,870,471 4.66% | Oct-Dec | 4.66% | | | | |
| | Jan-Mar | 4.66% | 130,870,471 | | 3,156,863 | |
| | Apr-Jun | 4.66% | | | | |

ote:

income estimated to amount to about \$1,034,996 annually, based on the difference between the assumed rates of 8.00% police In addition to the annual budget savings of approximately \$2,014,666, the retirement system would earn additional investment and fire and 8.25% federated, versus the actual average annual rates of return over the past 10 years of 10.31% and 9.60% respectively.

City of San Jose Retirement Systems Comparison of Actual Investment Results FY 1986-87 to FY 2005-06

| | Pol & Fire | Federated |
|------------|------------|-----------|
| FY 2005-06 | 14.30% | 10.81% |
| FY 2004-05 | 11.00% | 8.91% |
| FY 2003-04 | 16.50% | 16.62% |
| FY 2002-03 | 5.40% | 6.85% |
| FY 2001-02 | -1.30% | -1.68% |
| FY 2000-01 | 2.00% | -0.16% |
| FY 1999-00 | 8.00% | 7.60% |
| FY 1998-99 | 11.20% | 10.57% |
| FY 1997-98 | 16.70% | 16.50% |
| FY 1996-97 | 16.00% | 15.50% |
| FY 1995-96 | 14.70% | 13.00% |
| FY 1994-95 | 16.70% | 15.60% |
| FY 1993-94 | 1.30% | 0.00% |
| FY 1992-93 | 14.10% | 12.60% |
| FY 1991-92 | 13.60% | 12.50% |
| FY 1990-91 | 8.40% | 8.70% |
| FY 1989-90 | 9.70% | 10.00% |
| FY 1988-89 | 14.10% | 13.90% |
| FY 1987-88 | 3.50% | 3.80% |
| FY 1986-87 | 10.20% | 10.40% |
| Average | 10.31% | 9.60% |